

THE **Scotts Miracle-Gro**
COMPANY

Senate Energy & Technology Committee
Testimony – HB 4265, HB 4266
Senate Hearing Room, Ground Floor, Boji Tower
124 W. Allegan Street, Lansing, MI 48933
May 15, 2012

Chairman Nofs and members of the Committee, thank you for the opportunity to present testimony in opposition to House Bills 4265 and 4266. My name is John Smith, and I am the Director of Growing Media Operations in the Scotts Miracle-Gro Company's Midwest Region.

The Scotts Miracle-Gro Company has been in the lawn and garden business for over 140 years, becoming the largest marketer and distributor of lawn and garden products for consumer use in that time. Our company also operates the Scotts Lawn Service, the second largest residential lawn service business in the United States. We strive to put the consumer first, which is reflected in our annual research and development investment to innovate products that are simple, safe, and sustainable.

With a production facility in Imlay City, Lapeer County, that manufactures our various soil and mulch products, our company will be directly impacted by the legislation under consideration by the Committee today.

Our Imlay City facility will generate \$35 million in product sales this year, with sixty-two percent of those sales occurring in southeast Michigan, and eighty percent within the State of Michigan. The Imlay City facility produces 9.6 million units, or 9,800 truckloads, of soil and mulch products annually. Locally sourced yard waste is the basis of that economic activity, supporting our 224 full time employees and 42 seasonal employees in Michigan.

As indicated by previous testimony before this Committee, yard waste is a critical component to creating quality products in the gardening industry, particularly in the Midwest, if it is properly composted. A number of locally operated, independent compost facilities currently receive municipal yard waste and work to turn it into high quality compost. Our company purchases that compost material from local compost facilities throughout southeast Michigan in Lapeer, Oakland, Macomb, St. Clair and Wayne Counties.

Then, we contract with a number of Michigan-based trucking firms, such as Shepard & Son Trucking, Latigo Trucking Inc and Wood Trucking, to ship it from the independent compost facilities to our Imlay City production facility where we combine it with other raw materials to make high quality consumer products. Almost all of our inbound and outbound trucking is handled by independent Michigan-based trucking companies, many of whom depend on our business for large portions of their annual revenue.

At Scotts, we are proud of our ability to utilize traditional waste streams, like yard waste, in a beneficial manner in our product lines. Doing so produces a positive local economic impact – both through the material purchases we make that otherwise would be a disposal cost for

communities, and the jobs we create to formulate consumer products with the locally available raw materials. Equally, we are proud that we are providing a local environmental benefit by reducing the amount of usable material being landfilled, reserving that capacity for other waste materials that cannot easily be beneficially reused.

We fully understand the intent of the legislation. In fact, just last month we published our first corporate responsibility report utilizing the internationally recognized Global Reporting Initiative guidelines. In that report, we announced a corporate goal of reducing our greenhouse gas emissions by 20% by 2018, our company's 150th anniversary. So we too are engaged in the challenge of finding and employing alternative energy sources, and recognize how landfill gas recovery can be positive part of an energy portfolio mix.

That said, allowing yard waste to be landfilled can greatly reduce the availability of a locally produced raw material needed to produce organic compost.

This legislation will negatively affect the southeastern Michigan independent compost facilities that we rely upon, by reducing their ability to obtain yard waste material, and as a result, will disrupt the raw material stream for our Imlay City plant. At a minimum, if these independent compost facilities are negatively impacted by the legislation, we will need to seek new raw material streams. Given this legislation, we would likely need to source replacement raw materials from outside of the state.

However, transportation is a key raw material cost for making an affordable end product. If we cannot source our raw materials within approximately 100 miles of our production facilities, they become economically impractical to operate. So, without appropriate, locally available raw materials, we may need to look at shifting production from the Imlay City plant to one of our Ohio or Illinois production facilities in order to service the Michigan market.

Previous testimony on this legislation demonstrated how landfill gas recovery is already successfully occurring at a number of Michigan landfills, without any additional yard waste material. However, cost-effective organic compost production in the Midwest depends on a sufficient supply of yard waste. While yard waste will provide some additional benefit to landfill methane gas recovery, the highest and best use of that material is for compost production.

For these reasons, we ask that you not move this legislation forward. Thank you again for your time and efforts on these important economic issues. I would be happy to try to answer any questions the Committee may have at this time.